

**Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa**

FINANCIAL REPORT

June 30, 2015

C O N T E N T S

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-12
 FINANCIAL STATEMENTS	
Statements of net position	13-14
Statements of revenues, expenses, and changes in net position	15
Statements of cash flows	16-17
Notes to financial statements	18-34
 REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary comparison schedule of revenues, expenses and changes in net position, budget and actual	36
Schedule of funding progress for the retiree health plan	37
Schedule of the Hospital's proportionate share of the net pension liability	38
Schedule of Hospital pension contributions	39-40
Notes to required supplementary information – pension liability	41
 INDEPENDENT AUDITOR'S REPORT ON THE OTHER SUPPLEMENTARY INFORMATION	42
 OTHER SUPPLEMENTARY INFORMATION	43
Analysis of patient receivables	44
Analysis of allowance for uncollectibles	44
Inventories	45
Insurance coverage	46
Patient service revenue	47-48
Provisions for contractual and other adjustments	49
Other revenue	49
Nursing service expenses	50
Other professional service expenses	51-52
General service expenses	53
Fiscal and administrative service and unassigned expenses	54
Comparative revenues and expenses	55
Comparative statistics	56
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	57-58
 SCHEDULE OF FINDINGS	59-60

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OFFICIALS
June 30, 2015**

BOARD OF TRUSTEES

Expiration of term

Officers

Renee Rebling, Chair	December 31, 2016
Bob Keller, Vice Chair	December 31, 2016
Merlin Miller, Secretary/Treasurer	December 31, 2020

Members

Joan Tedrow	December 31, 2020
Julie Greeson	December 31, 2020
Greg Hanshaw	December 31, 2018
Tom Kunkle (Through January 2015)	December 31, 2018
Todd Reifsteck (Effective February 2015)	December 31, 2018

CHIEF EXECUTIVE OFFICER

Deborah Cardin

CHIEF FINANCIAL OFFICER

Larry Peach



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa

We have audited the accompanying financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the Hospital adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Hospital d/b/a Jefferson County Health Center, as of June 30, 2015 and 2014, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule of revenues, expenses and changes in net position, budget and actual, the schedule of funding progress for the retiree health plan, the schedule of the Hospital's proportionate share of the net position liability, and the schedule of Hospital pension contributions on pages 6-12, and 36 through 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 30, 2015

**JEFFERSON COUNTY HOSPITAL
d/b/a JEFFERSON COUNTY HEALTH CENTER**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Jefferson County Health Center, we offer readers of the Jefferson County Health Center's financial statements this narrative overview and analysis of the financial performance of our Hospital during the fiscal years ended June 30, 2015, 2014 and 2013. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements and supplementary information of Jefferson County Health Center. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of Jefferson County Health Center report information of the Hospital using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position includes all of Jefferson County Health Center's assets, liabilities, deferred outflows and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to Jefferson County Health Center's creditors (liabilities). It also provides the basis for evaluating the capital structure of Jefferson County Health Center and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of Jefferson County Health Center's operations over the past year and can be used to determine whether Jefferson County Health Center has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$ 4,220,123 from FY 2014 to \$ 64,887,366, following an increase in FY 2014 of \$ 914,187.
- Capital assets decreased from FY 2014 by \$ 667,777, following a decrease of \$ 772,734 in FY 2014.
- Total debt decreased from FY 2014 by \$ 740,000, following a decrease of \$ 710,000 in FY 2014.
- Net position increased in FY 2015 by \$ 4,864,178 and increased by \$ 2,707,781 in FY 2014.
- Net patient service revenue increased from FY 2014 by \$ 9,614,093. This followed an increase in FY 2014 of \$ 3,787,157.
- Expenses increased from FY 2014 by \$ 6,347,179 or 22.9%. This is due to the purchase of the Medical Arts Clinic as well as expanded services relating to Oncology operating for a full 12 months (3 months in previous year). Also, employee benefits costs increased from the prior year.
- Total margin for FY 2015 was 12%, compared to 9% FY 2014.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of Jefferson County Health Center and the changes in them. Jefferson County Health Center's net position is a way to measure financial health or financial position. Over time, sustained increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation should also be considered.

NET ASSETS

A summary of the Hospital's statements of net position at June 30, 2015, 2014 and 2013, are presented in Table 1 below.

Table 1
Condensed Statements of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u> Not restated	<u>Dollar Change</u>	<u>Total % Change</u>	<u>June 30, 2013</u> Not restated
Current and other assets	\$32,407,898	\$27,519,998	\$4,887,900	18%	\$25,833,077
Capital assets	<u>32,479,468</u>	<u>33,147,245</u>	<u>(667,777)</u>	<u>(2)</u>	<u>33,919,979</u>
Total assets	<u>64,887,366</u>	<u>60,667,243</u>	<u>4,220,123</u>	<u>7</u>	<u>59,753,056</u>
Deferred outflows of resources	<u>1,895,731</u>	<u>—</u>	<u>1,895,731</u>	<u>100</u>	<u>—</u>
Long-term debt outstanding	32,360,000	33,130,000	(770,000)	(2)	33,870,000
Other liabilities	<u>10,305,343</u>	<u>4,977,068</u>	<u>5,328,275</u>	<u>107</u>	<u>6,030,662</u>
Total liabilities	<u>42,665,343</u>	<u>38,107,068</u>	<u>4,558,275</u>	<u>12</u>	<u>39,900,662</u>
Deferred inflows of resources	<u>2,930,890</u>	<u>—</u>	<u>2,930,890</u>	<u>100</u>	<u>—</u>
Total net position	<u>\$21,186,864</u>	<u>\$22,560,175</u>	<u>\$(1,373,311)</u>	<u>(6)%</u>	<u>\$19,852,394</u>

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$ 6,237,489 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following table presents a summary of the Jefferson County Health Center's historical revenues and expenses for each of the fiscal years ended June 30, 2015, 2014 and 2013.

Table 2

Condensed Statements of Revenue, Expenses, and Changes in net position

	Year ended June 30		
	<u>2015</u>	<u>2014</u> Not restated	<u>2013</u> Not restated
Total revenue	\$39,834,011	\$31,240,939	\$28,571,998
Expenses	<u>34,117,594</u>	<u>27,770,415</u>	<u>25,182,277</u>
Operating income	5,716,417	3,470,524	3,389,721
Non-operating (losses)	<u>(913,501)</u>	<u>(792,971)</u>	<u>(336,471)</u>
Excess of revenues over expenses	4,802,916	2,677,553	3,053,150
Other changes in net position-contributions	61,262	30,228	29,929
Total net position, beginning	<u>16,322,686</u>	<u>19,852,394</u>	<u>16,769,315</u>
Total net position, ending	<u>\$21,186,864</u>	<u>\$22,560,175</u>	<u>\$19,852,394</u>

Operating and Financial Performance

Volume: Acute inpatient admissions for fiscal year 2015 were 675 compared to 642 in fiscal year 2014. Acute patient days increased by 14.2 % compared to FY 2014 because of the increased admissions. Swing bed admissions fiscal year 2015 were 288 compared to 234 in fiscal year 2014. Swing bed patient days increased by 28.6% due to an increase in admissions of 23.1%. Average swing bed length of stay did increase to 10.0 days from 9.9 days in fiscal year 2014. Outpatient visits increased by 22.8% to 67,731 visits in FY 2015. Operating room procedures were 25.4% above FY 2014's level due mainly to an increase in outpatient surgical procedures. Outpatient surgeries were 345 procedures or 22.9% above prior year levels. Inpatient procedures were down (21) or -17.8% from FY 2014 totals. Total operating room procedures in FY 2015 were 1,194 surgeries compared to 952 in FY 2014 with 92% of the surgeries being outpatient procedures.

Net Patient Service Revenue: Because of an increase in outpatient visits, net patient service revenues increased by \$9,614,093 or 34% compared to fiscal year 2014. During the fiscal year, Jefferson County Health Center's contractual allowances (the difference between billed charges and paid charges from third party payors) increased by \$6,908,640 or 35% over FY 2014. The majority of the increase came from Medicare contractual allowance increases reflecting increased inpatient and outpatient activity.

The following table presents the relative percentages of gross charges for patient services by payor for the years ended June 30, 2015, 2014 and 2013.

Table 3
Payor Mix by Percentage

	Year ended June 30		
	2015	2014	2013
Medicare	53%	52%	55%
Wellmark	21%	22%	23%
Other Commercial Insurance	11%	11%	12%
Medicaid	13%	11%	9%
All other	<u>2%</u>	<u>4%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Significant changes in operations from FY 2015:

Outpatient Revenue: There was a 39% or \$14,946,203 increase in outpatient revenue in FY 2015 compared to FY 2014. Increased outpatient revenues in Lab, Pharmacy, Radiology, CT, Oncology, Medical Arts Clinic, ER, Anesthesia and Surgery account for the increased revenues.

Salaries and Employee Benefits: FY 2015 showed a 23%, or \$2,892,834 increase in salary and employee benefit expenses compared to FY 2014. The primary reason for the increase is the purchase of the Medical Arts Clinic as well as salary expenses relating to Oncology operating for a full 12 months (3 months in previous year) and an increase in health benefit expenses as compared to FY 2014.

Interest and Depreciation Expense: Interest expense decreased by \$34,765 from FY 2014 due to the maturing of one revenue bond. Depreciation expense increased by \$318,226 from FY 2014 levels due to increased equipment purchases.

CAPITAL ASSETS

At the end of fiscal year 2015, the Jefferson County Health Center has invested \$32,479,468 in net capital assets. The decrease in capital assets is due to depreciation expense exceeding equipment purchases in FY 2015.

The following table summarizes Jefferson County Health Center's capital assets as of June 30, 2015, 2014 and 2013.

Table 4
Capital Assets
(in Thousands)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	<u>June 30, 2013</u>
Land	\$ 1,168.3	\$ 1,168.3	\$ —	\$ 1,171.8
Land improvements	2,292.2	2,292.2	—	1,563.9
Buildings	36,084.6	35,870.4	214.2	32,316.5
Major moveable equipment	12,282.0	10,801.4	1,480.6	9,624.3
Intangibles	589.3	—	589.3	—
Construction in progress	<u>135.3</u>	<u>2.4</u>	<u>132.9</u>	<u>3,509.1</u>
Subtotal	<u>52,551.7</u>	<u>50,134.7</u>	<u>2,417.0</u>	<u>48,185.6</u>
Less accumulated depreciation	<u>(20,072.2)</u>	<u>(16,987.5)</u>	<u>(3,084.7)</u>	<u>(14,265.6)</u>
Capital assets, net	<u>\$32,479.5</u>	<u>\$33,147.2</u>	<u>\$ (667.7)</u>	<u>\$33,920.0</u>

DEBT ADMINISTRATION

Long-Term Debt

At year-end, Jefferson County Health Center had \$33,130,000 in long-term debt related to financing for a replacement facility. This has decreased from \$33,870,000 in fiscal year 2014. More detailed information about Jefferson County Health Center's outstanding debt is presented in the Notes to the Financial Statements. Note that total long term debt represents 156% of Jefferson County Health Center's equity as of year-end.

Deferred Outflows and Inflows of Resources

As of June 30, 2015, the Health Center reported \$1,895,731 of deferred outflows of resources and \$2,930,890 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

PERFORMANCE COMPARED TO BUDGET

Net patient revenues were \$11,089.4 or 33% over budget for the fiscal year ended June 30, 2015. This was due to increased outpatient activity resulting in a 14% increase in gross revenue over budget and contractual allowances being 13% over budgeted expectations.

Other operating revenue was approximately \$1,244.9 under budget due mainly to less than expected 340B pharmacy program receipts.

Operating expenses were approximately \$202,000 or 1% above budget for the year with salaries and benefits being 1% below budget for the year. The other operating expenses reflect increases in ancillary service expenses relating to patient activity and depreciation.

Total non-operating gains were 7% or approximately \$72.3 over budget due mainly to increased investment income from joint ventures the Hospital has invested in.

The following table compares fiscal year 2015 actual to budget information.

Table 5
Budget vs. Actual
(In Thousands)

	<u>FY 2015 Budget</u>	<u>FY 2015 Actual</u>	<u>Dollar Variance</u>	<u>Percent Variance</u>
Gross patient service revenue	\$57,126.1	\$65,169.7	\$ 8,043.6	14%
Contractual adjustments and charity care	<u>24,000.6</u>	<u>27,046.4</u>	<u>3,045.8</u>	<u>13</u>
Net patient service revenue	<u>33,125.5</u>	<u>38,123.3</u>	<u>11,089.4</u>	<u>33</u>
Other operating revenue	<u>2,955.6</u>	<u>1,710.7</u>	<u>(1,244.9)</u>	<u>(42)</u>
Total operating revenue	36,081.1	39,834.0	3,752.9	10
Operating expenses	<u>33,915.4</u>	<u>34,117.6</u>	<u>202.2</u>	<u>1</u>
Operating income	2,165.7	5,716.4	3,550.7	<u>164</u>
Income from investments	89.4	57.9	(31.5)	(35)
Other non-operating gains (losses)	<u>(982.4)</u>	<u>(910.1)</u>	<u>72.3</u>	<u>7</u>
Excess of revenue over expenses before contributions	\$ <u>1,272.7</u>	\$ <u>4,864.2</u>	\$ <u>3,591.5</u>	<u>282%</u>

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

Jefferson County Health Center's Board and management considered many factors when setting the fiscal year 2016 budget. Of primary importance in setting the 2016 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payors especially Wellmark Blue Cross, which is a significant payor
- Cost of supplies including escalating drug costs
- Workforce shortages especially among nursing and impact on salary costs
- Regulatory changes including healthcare reform
- Facility expansion and growth in demand for services and the need to make significant capital improvements to aging plan and equipment
- Physician recruitment, especially family practice physicians
- Cost associated with maintaining information technology systems in the Hospital especially electronic medical record systems required by the Federal government.

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact the finance department at Jefferson County Health Center; 2000 S. Main; Fairfield, Iowa 52556. Phone number 641-472-4111.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF NET POSITION**

	June 30	
	2015	2014
		(Not restated)
CURRENT ASSETS		
Cash	\$18,403,341	\$15,194,816
Assets whose use is limited, required for current liabilities	1,376,942	1,360,432
Patient receivables, less allowance for contractual adjustments and uncollectibles 2015 \$3,078,404; 2014 \$2,219,019	6,576,260	4,971,377
Other receivables	446,333	115,534
Estimated third-party payor settlements	—	200,000
Inventories	390,574	386,140
Prepaid expenses	398,990	387,395
Succeeding year property tax receivable	831,000	834,600
Total current assets	<u>28,423,440</u>	<u>23,450,294</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash and cash equivalents	<u>231,243</u>	<u>225,942</u>
Restricted by bond indenture agreement		
Cash and cash equivalents	<u>4,070,965</u>	<u>4,056,612</u>
Restricted by donors for specific purpose		
Cash and cash equivalents	<u>59,236</u>	<u>58,179</u>
Total assets whose use is limited	<u>4,361,444</u>	<u>4,340,733</u>
Less assets whose use is limited, required for current liabilities	<u>1,376,942</u>	<u>1,360,432</u>
Noncurrent assets whose use is limited	<u>2,984,502</u>	<u>2,980,301</u>
CAPITAL ASSETS	52,551,663	50,134,711
Less accumulated depreciation	<u>20,072,195</u>	<u>16,987,466</u>
Total capital assets	<u>32,479,468</u>	<u>33,147,245</u>
OTHER ASSET		
Investment in joint ventures	<u>999,956</u>	<u>1,089,403</u>
Total assets	<u>64,887,366</u>	<u>60,667,243</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>1,895,731</u>	<u>—</u>

See Notes to Financial Statements.

	June 30	
	2015	2014
		(Not restated)
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 770,000	\$ 740,000
Accounts payable	1,309,733	1,655,213
Accrued employee compensation	960,539	783,507
Payroll taxes and withholdings	251,971	343,316
Accrued interest	606,942	620,432
Estimated third-party payor settlements	900,000	—
Total current liabilities	<u>4,799,185</u>	<u>4,142,468</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	32,360,000	33,130,000
Net pension liability	5,506,158	—
Total long-term liabilities	<u>37,866,158</u>	<u>33,130,000</u>
Total liabilities	<u>42,665,343</u>	<u>37,272,468</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	831,000	834,600
Pension related deferred inflows	2,099,890	—
Total deferred inflows of resources	<u>2,930,890</u>	<u>834,600</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	(650,532)	(722,755)
Restricted		
By bond indenture agreement	4,070,965	4,056,612
For specific purpose by donors	59,236	58,179
Unrestricted	<u>17,707,195</u>	<u>19,168,139</u>
Total net position	<u>\$21,186,864</u>	<u>\$22,560,175</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Year ended June 30	
	2015	2014
		(Not restated)
NET PATIENT SERVICE REVENUE , net of provision for bad debts 2015 \$657,515; 2014 \$1,198,862	\$38,123,262	\$28,509,169
OTHER REVENUE	<u>1,710,749</u>	<u>2,731,770</u>
Total revenue	<u>39,834,011</u>	<u>31,240,939</u>
EXPENSES		
Nursing service	6,877,004	6,225,487
Other professional service	15,793,403	11,292,214
General service	2,309,878	2,140,780
Fiscal and administrative service and unassigned expenses	6,052,580	5,345,431
Provision for depreciation	<u>3,084,729</u>	<u>2,766,503</u>
Total expenses	<u>34,117,594</u>	<u>27,770,415</u>
Operating income	<u>5,716,417</u>	<u>3,470,524</u>
NONOPERATING GAINS (LOSSES)		
County taxes	856,845	853,414
Investment income	57,923	60,940
Interest and amortization expense	(2,105,136)	(1,866,383)
Equity in income of joint venture investments	274,811	237,236
Gain (loss) on sale of property and equipment	<u>2,056</u>	<u>(78,178)</u>
Total nonoperating (losses)	<u>(913,501)</u>	<u>(792,971)</u>
Excess of revenues over expenses before contributions	<u>4,802,916</u>	<u>2,677,553</u>
CONTRIBUTIONS	<u>61,262</u>	<u>30,228</u>
Change in net position	4,864,178	2,707,781
TOTAL NET POSITION		
Beginning, as restated	<u>16,322,686</u>	<u>19,852,394</u>
Ending	<u>\$21,186,864</u>	<u>\$22,560,175</u>

See Notes to Financial Statements.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2015	2014
		(Not restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$37,618,379	\$26,344,588
Cash paid to suppliers for goods and services	(19,134,701)	(15,729,733)
Cash paid to employees for services	(12,525,853)	(9,488,228)
Other operating revenue received	<u>1,375,326</u>	<u>2,665,923</u>
Net cash provided by operating activities	<u>7,333,151</u>	<u>3,792,550</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County taxes received	<u>861,419</u>	<u>854,903</u>
Net cash provided by noncapital financing activities	<u>861,419</u>	<u>854,903</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and construction in progress	(2,592,207)	(2,560,610)
Principal payments on long-term debt	(740,000)	(710,000)
Proceeds from sale of capital assets	2,056	24,923
Interest paid on long-term debt	(2,118,626)	(1,876,559)
Contributions restricted for purchase of capital assets	<u>61,262</u>	<u>39,212</u>
Net cash (used in) capital and related financing activities	<u>(5,387,515)</u>	<u>(5,083,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in joint ventures	—	(50,000)
Distributions from investments in joint ventures	364,258	354,954
Investment income received	57,923	51,956
Proceeds from U.S. Government Agency securities	<u>—</u>	<u>230,000</u>
Net cash provided by investing activities	<u>422,181</u>	<u>586,910</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,229,236	151,329
CASH AND CASH EQUIVALENTS		
Beginning	<u>19,535,549</u>	<u>19,384,220</u>
Ending	<u>\$22,764,785</u>	<u>\$19,535,549</u>

See Notes to Financial Statements.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2015	2014
		(Not restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 5,716,417	\$ 3,470,524
Adjustments to reconcile operating income to net cash provided by operating activities		
Provision for depreciation	3,084,729	2,766,503
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	(1,604,883)	(1,364,581)
Other receivables, net of noncapital financing activities	(335,423)	(65,847)
Inventories	(4,434)	(144,463)
Prepaid expenses	(11,595)	(56,327)
Deferred outflows of resources	(1,084,448)	—
Accounts payable, net of capital assets payable	(345,480)	(61,604)
Accrued employee compensation	177,032	65,544
Payroll taxes and withholdings	83,960	(17,199)
Net estimated third-party payor settlements	1,100,000	(800,000)
Net pension liability	(1,542,614)	—
Deferred inflows of resources	<u>2,099,890</u>	<u>—</u>
Net cash provided by operating activities	<u>\$ 7,333,151</u>	<u>\$ 3,792,550</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Per statement of net position		
Current assets	\$18,403,341	\$15,194,816
Assets whose use is limited		
Restricted by bond indenture agreement	4,070,965	4,056,612
Restricted by donors for specific purpose	59,236	58,179
Designated by board for plant replacement and expansion	<u>231,243</u>	<u>225,942</u>
Total per statement of cash flows	<u>\$22,764,785</u>	<u>\$19,535,549</u>

See Notes to Financial Statements.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital is a county public hospital organized under Chapter 347, Code of Iowa, not subject to taxes on income or property, and receives tax support from Jefferson County.

Reporting Entity

For financial reporting purposes, Jefferson County Hospital d/b/a Jefferson County Health Center has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. Jefferson County Hospital has no material component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting Standards

The Hospital has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows the Hospital considers all cash accounts and mutual funds to be cash equivalents.

Electronic Health Record Incentive Payments

The Hospital has received payments from the Medicare and Medicaid programs under the Electronic Health Records (EHR) Incentive Program. To qualify for EHR incentive payments, the Hospital must meet designated EHR meaningful use criteria. These incentive payments are reported in other revenue in the financial statements.

Intangibles

Intangibles acquired in connection with a medical clinic, are being amortized over a ten year period using the straight-line method.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income

The Hospital's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Open-end mutual funds Mutual Funds	Fair value determined by current share price
U.S. Government Agency securities	
Maturity of one year or less when purchased	Amortized cost
Maturity of one year or more when purchased	Fair value based on quoted market prices

The U.S. Government Agency securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

Investments in certain partnerships are accounted for using the equity method under which the net income of the partnerships is recognized as investment income and added to the investment account.

Investment income includes interest income and the net increase (decrease) in the fair value of investments. Investment income is reported as nonoperating gains.

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Capital Assets

Capital asset acquisitions are recorded at cost. Capital assets donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method using these asset lives:

Land improvements	10 to 25 years
Buildings	5 to 40 years
Equipment	3 to 20 years

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes for the current year. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Net Position (Deficit)

Net position (deficit) is presented in the following components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the revenue notes payable that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

Restricted net position consists of funds on which constraints have been externally imposed by creditors (such as through debt covenants) grantors or contributors, or laws or regulations of other governments.

Unrestricted

Unrestricted net position has no externally imposed restrictions on use.

When both restricted and unrestricted net position are available for use, generally it is the Hospital's policy to use restricted net position first.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue

Patient service revenue is reported at the Hospital's established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

Statements of Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

Credit Policy

The Hospital grants credit to patients, substantially all of whom are county residents.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2015 and 2014 were covered by federal depository insurance, or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. The investments listed below are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH AND INVESTMENTS (continued)

The Hospital's investments at June 30, 2015 are as follows:

	<u>Maturities</u>	<u>Fair value</u>
Mutual funds	Daily	\$ <u>290,479</u>

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

NOTE 3 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
Receivable from patients	\$1,633,711	\$1,220,984
Receivable from insurance carriers	3,550,567	2,475,720
Receivable from Medicare	3,591,127	2,871,238
Receivable from Medicaid	<u>879,259</u>	<u>622,454</u>
Total patient receivables	9,654,664	7,190,396
Less allowances for contractual and other adjustments	<u>(3,078,404)</u>	<u>(2,219,019)</u>
Totals	<u>\$6,576,260</u>	<u>\$4,971,377</u>

NOTE 4 ASSETS RESTRICTED BY BOND INDENTURE AGREEMENT

Assets restricted by the bond indenture agreement include funds that are required to be funded under the terms of the agreement. The agreement requires, among other things, the maintenance of the "Bond Sinking Fund", the "Debt Service Reserve Fund" and the "Interest Fund" (a "Taxable Early Interest Account" and a "Tax-Exempt Early Interest Account"). There are provisions outlined in the agreement regarding deposit requirements in the various funds. Following are the changes in these funds for the year ended June 30, 2015:

	<u>Bond Sinking Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Interest Fund</u>	<u>Total</u>
BALANCE , beginning	\$ 678,976	\$2,601,660	\$ 775,976	\$4,056,612
Deposits	767,500	—	1,833,118	2,600,618
Investment income	38	260	45	343
Fees	—	—	(1,500)	(1,500)
Principal payments	(740,000)	—	—	(740,000)
Interest payments	<u>—</u>	<u>—</u>	<u>(1,845,108)</u>	<u>(1,845,108)</u>
BALANCE , ending	<u>\$ 706,514</u>	<u>\$2,601,920</u>	<u>\$ 762,531</u>	<u>\$4,070,965</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Hospital is designated as a Critical Access Hospital. As a Critical Access Hospital, services related to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2013.

Other

The Hospital has also entered into payment agreements with Wellmark and other certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge and discounts from established charges.

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 and 2014 follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Land	\$ 1,168,335	\$ —	\$ —	\$ —	\$ 1,168,335
Land improvements	2,292,206	—	—	—	2,292,206
Buildings	35,870,385	87,734	—	126,444	36,084,563
Equipment	10,801,425	662,066	—	818,446	12,281,937
Intangibles	—	—	—	589,348	589,348
Construction and equipment installations in progress	<u>2,360</u>	<u>1,798,389</u>	<u>(131,237)</u>	<u>(1,534,238)</u>	<u>135,274</u>
Totals	50,134,711	2,548,189	(131,237)	—	52,551,663
Less accumulated depreciation and amortization	<u>(16,987,466)</u>	<u>(3,084,729)</u>	<u>—</u>	<u>—</u>	<u>(20,072,195)</u>
Net capital assets	<u>\$33,147,245</u>	<u>\$ (536,540)</u>	<u>\$ (131,237)</u>	<u>\$ —</u>	<u>\$32,479,468</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 CAPITAL ASSETS (continued)

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Land	\$ 1,171,780	\$ 19,000	\$ (99,445)	\$ 77,000	\$ 1,168,335
Land improvements	1,563,838	35,228	—	693,140	2,292,206
Buildings	32,316,526	211,249	(4,000)	3,346,610	35,870,385
Equipment	9,624,325	1,079,765	(44,345)	141,680	10,801,425
Construction and equipment installations in progress	<u>3,509,142</u>	<u>751,648</u>	<u>—</u>	<u>(4,258,430)</u>	<u>2,360</u>
Totals	48,185,611	2,096,890	(147,790)	—	50,134,711
Less accumulated depreciation and amortization	<u>(14,265,632)</u>	<u>(2,766,503)</u>	<u>44,669</u>	<u>—</u>	<u>(16,987,466)</u>
Net capital assets	<u>\$33,919,979</u>	<u>\$ (669,613)</u>	<u>\$ (103,121)</u>	<u>\$ —</u>	<u>\$33,147,245</u>

Construction and equipment installation in progress at June 30, 2015 consisted of costs incurred for equipment installations.

NOTE 7 LONG TERM DEBT

The Board of Trustees of the Jefferson County Hospital adopted a resolution authorizing the issuance of revenue bonds to provide financing for the constructing and equipping a replacement hospital for the Jefferson County Hospital and constructing and equipping and improving medical office space located on the Hospital's campus. The bonds issued are as follows:

- Jefferson County Hospital Revenue Refunding Bonds, Series 2007B dated September 6, 2007. The bonds mature serially through August 2024. Interest is payable on February 1 and August 1 each year at annual rates ranging from 4.30% to 5.00%. Bonds maturing on or after August 1, 2017 are subject to redemption. The balance at June 30, 2015 is \$8,550,000.
- Jefferson County Hospital Revenue Bonds, Series 2007C dated September 25, 2007. The bonds mature serially through August 2037, with the initial payment due August 2024. Interest is payable on February 1 and August 1 each year at annual rates ranging from 5.375% to 5.950%. Bonds maturing on or after August 1, 2024 are subject to redemption. The balance at June 30, 2015 is \$24,580,000.

The agreements also require the maintenance of certain funds during the term of the agreements (See Note 4).

The Board of Trustees approved a resolution for a Series 2016 bond purchase, the purpose of which is to refinance the above revenue bonds. This bond purchase will take place in August 2016.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG TERM DEBT (continued)

As to the above Hospital Revenue Bonds, the Hospital has pledged all future revenue to pay the principal and interest. The Bonds were issued to finance capital improvements of the Hospital and to provide financing for the constructing and equipping of a replacement hospital. The revenues are pledged through August 2037. The remaining principal and interest on the obligations as of June 30, 2015 is \$59,455,572. The following is a comparison of the pledged revenues and the principal and interest requirements of the Bonds for the years ended June 30, 2015 and 2014:

	Year ended June 30	
	2015	2014
Change in net position	\$4,864,178	\$2,707,781
Provision for depreciation	3,084,729	2,766,503
Interest expense on the Notes and Bonds	1,831,168	1,866,383
(Gain) loss on sale of property	<u>(2,056)</u>	<u>78,178</u>
Pledged revenues	<u>\$9,778,019</u>	<u>\$7,418,845</u>
Principal and interest requirements	<u>\$2,571,618</u>	<u>\$2,576,383</u>

Principal and interest maturities of long-term debt at June 30, 2015 are summarized as follows:

Year ending June 30	Principal	Interest	Total
2016	\$ 770,000	\$ 1,811,788	\$ 2,581,788
2017	810,000	1,776,430	2,586,430
2018	845,000	1,738,981	2,583,981
2019	885,000	1,699,181	2,584,181
2020	925,000	1,656,636	2,581,636
2021-2025	5,390,000	7,532,529	12,922,529
2026-2030	7,035,000	5,899,213	12,934,213
2031-2035	9,365,000	3,560,033	12,925,033
2036-2038	<u>7,105,000</u>	<u>650,781</u>	<u>7,755,781</u>
Total	33,130,000	26,325,572	59,455,572
Less current maturities	<u>770,000</u>	<u>1,811,788</u>	<u>2,581,788</u>
Total long-term debt	<u>\$32,360,000</u>	<u>\$24,513,784</u>	<u>\$56,873,784</u>

A summary of changes in long-term debt for the year ended June 30, 2015 follows:

	Beginning balance	Additions	Principal payments	Ending balance	Amounts due within one year
Hospital Revenue Refunding Bonds (Series 2007B)	\$ 9,290,000	\$ —	\$ 740,000	\$ 8,550,000	\$ 770,000
Hospital Revenue Bonds (Series 2007C)	<u>24,580,000</u>	<u>—</u>	<u>—</u>	<u>24,580,000</u>	<u>—</u>
Totals	<u>\$33,870,000</u>	<u>\$ —</u>	<u>\$ 740,000</u>	<u>\$33,130,000</u>	<u>\$ 770,000</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 LONG TERM DEBT (continued)

A summary of changes in long-term debt for the year ended June 30, 2014 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Hospital Revenue Refunding Bonds (Series 2007B)	\$10,000,000	\$ —	\$ 710,000	\$ 9,290,000	\$ 740,000
Hospital Revenue Bonds (Series 2007C)	<u>24,580,000</u>	<u>—</u>	<u>—</u>	<u>24,580,000</u>	<u>—</u>
Totals	<u>\$34,580,000</u>	<u>\$ —</u>	<u>\$ 710,000</u>	<u>\$33,870,000</u>	<u>\$ 740,000</u>

NOTE 8 CONTINGENCIES

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2015 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 9 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Hospital, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

Contributions (continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Hospital contributed 8.93 percent for a total rate of 14.88 percent.

The Hospital's contributions to IPERS for the years ended June 30, 2015 and 2014 were \$1,063,081 and \$840,696, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions

At June 30, 2015, the Hospital reported a liability of \$5,506,158 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	<u>June 30</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Hospital's proportionate share	0.138837%	0.122765%	0.016072%

For the year ended June 30, 2015, the Hospital recognized pension expense of \$360,604. At June 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 59,841	\$ —
Change in assumptions	242,999	—
Net difference between projected and actual earnings on pension plan investments	—	2,099,890
Change in proportion and difference between Hospital contributions and proportionate share of contributions	529,810	—
Hospital contributions subsequent to the measurement date	<u>1,063,081</u>	<u>—</u>
Totals	<u>\$1,895,731</u>	<u>\$2,099,890</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

\$1,063,081 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Regular Members</u>	<u>Protection Occupation Members</u>	<u>Total</u>
2016	\$ (330,429)	\$ —	\$ (330,429)
2017	(330,429)	—	(330,429)
2018	(330,429)	—	(330,429)
2019	(330,427)	—	(330,427)
2020	<u>54,474</u>	<u>—</u>	<u>54,474</u>
Totals	<u>\$ (1,267,240)</u>	<u>\$ —</u>	<u>\$ (1,267,240)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Health Center's proportionate share of the net pension liability	\$ <u>10,403,730</u>	\$ <u>5,506,158</u>	\$ <u>1,372,099</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 PENSION PLAN (continued)

Payables to the Pension Plan

At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of \$113,876 for legally required employer contributions and \$57,337 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 10 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Charges foregone, based on established rates	\$ <u>221,021</u>	\$ <u>296,970</u>
Equivalent percentage of charity care patients to all patients served	<u>.3%</u>	<u>.6%</u>

NOTE 11 EMPLOYEE BENEFITS

The Hospital has developed a self-insured health insurance program for all employees. Claims for health care services for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$65,000 per person, with an aggregate stop-loss provision for the plan as a whole of approximately \$4,000,000. Total expense, which includes claims, administration fees, and stop-loss insurance, under this self-insurance program for the years ended June 30, 2015 and 2014 was \$1,554,599 and \$1,058,903, respectively.

NOTE 12 HOSPITAL RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 13 ROBERT A. RYAN, M.D. ENDOWED SCHOLARSHIP FUND

This fund was established through a donation received from Robert A. Ryan, M.D. The investment is to be maintained in perpetuity and the income only to be used for a nursing scholarship for a member of the senior class graduating from Fairfield High School, Fairfield, Iowa or from another high school in the area. At June 30, 2015 and 2014, the balance of the fund was being maintained in mutual funds with a total balance of \$59,236 and \$58,179, respectively.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 INVESTMENT IN JOINT VENTURES

The Hospital has varying interests in several joint ventures engaged in providing various health care services. The investments are accounted for using the equity method. The Hospital has recorded its share of the joint ventures' income of \$274,811 in 2015 and \$237,236 in 2014.

NOTE 15 ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The Hospital has met the EHR meaningful use criteria and has received payments from the Medicare and Medicaid programs. Payments received and included in other revenue total \$683,441 and \$363,717 for the years ended June 30, 2015 and 2014, respectively.

NOTE 16 OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Hospital operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are 163 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefit plans are self-insured and are administered by a third party. Retirees under age 65 pay 100% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Hospital. The Hospital currently finances the retiree benefit plan on a pay-as-you-go basis.

The Hospital's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Hospital, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and changes in the Hospital's net OPEB obligation:

Annual required contribution, ARC	\$ 12,456
Interest on net OPEB obligation	665
Adjustment to annual required contribution	<u>(908)</u>
Annual OPEB cost	12,213
Contributions made	<u>(3,452)</u>
Increase in net OPEB obligation	8,761
Net OPEB obligation, beginning of year	<u>14,787</u>
Net OPEB obligation, end of year	<u>\$ 23,548</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 16 OTHER POST EMPLOYMENT BENEFITS (OPEB)

For the year ended June 30, 2015, the Hospital contributed \$3,452 to the plan. The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015, 2014 and 2013 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2013	\$ <u>3,417</u>	<u>0%</u>	\$ <u>11,876</u>
June 30, 2014	\$ <u>2,911</u>	<u>0%</u>	\$ <u>14,787</u>
June 30, 2015	\$ <u>12,213</u>	<u>28%</u>	\$ <u>23,548</u>

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$91,928 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$91,928. As of June 30, 2015, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Hospital's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 0.5% each year until reaching the 4% ultimate trend rate.

Mortality rates are from the RPH2014 Total Dataset Mortality Fully Generational Scale.

Projected claim costs of the medical plan are approximately \$1,067 per month for retirees. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO FINANCIAL STATEMENTS**

NOTE 17 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for the fiscal year ended June 30, 2015 was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net position</u>
Net position June 30, 2014, as previously reported	\$22,560,175
Net pension liability at June 30, 2014	(7,048,772)
Deferred outflows of resources related to contributions made After the June 30, 2013 measurement date	<u>811,283</u>
Net position July 1, 2014, as restated	<u>\$ 16,322,686</u>

REQUIRED SUPPLEMENTARY INFORMATION

**Jefferson County Hospital
d/b/a Jefferson County Health Center
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION, BUDGET AND ACTUAL
Year ended June 30, 2015**

The following is a comparison of actual expenditures to budget:

	Reported amounts (GAAP basis)					
	*General funds	Donor- restricted funds	Total (memorandum only)	Budget basis adjustments	Budget basis	Budget
Amount to be raised by taxation	\$ 856,845	\$ —	\$ 856,845	\$ —	\$ 856,845	\$ 856,845
Other revenue/receipts	<u>40,229,006</u>	<u>1,057</u>	<u>40,230,063</u>	<u>—</u>	<u>40,230,063</u>	<u>37,345,978</u>
	41,085,851	1,057	41,086,908	—	41,086,908	38,202,823
Expenses/expenditures	<u>36,222,730</u>	<u>—</u>	<u>36,222,730</u>	<u>15,026</u>	<u>36,237,756</u>	<u>39,625,668</u>
Net	4,863,121	1,057	4,864,178	(15,026)	4,849,152	(1,422,845)
Balance, beginning	<u>16,264,507</u>	<u>58,179</u>	<u>16,322,686</u>	<u>(12,477,167)</u>	<u>3,845,519</u>	<u>3,454,950</u>
Balance, ending	<u>\$21,127,628</u>	<u>\$ 59,236</u>	<u>\$21,186,864</u>	<u>\$(12,492,193)</u>	<u>\$ 8,694,671</u>	<u>\$ 2,032,105</u>

*Includes unrestricted net position, net position invested in capital assets, net of related debt and restricted by bond indenture agreement net position.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget for all funds following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major differences between budget and GAAP bases are that depreciation is not recorded as an expenditure on the budget basis and capital expenditures and debt service are recorded on the budget basis.

For the year ended June 30, 2015, the Hospital's expenditures did not exceed the budgeted amount.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)**

Required Supplementary Information

Fiscal year ended	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b - a)/c)
2013	July 1, 2011	\$ <u>—</u>	\$ <u>25</u>	\$ <u>25</u>	<u>0.0%</u>	\$ <u>8,625</u>	<u>.3%</u>
2014	July 1, 2014	\$ <u>—</u>	\$ <u>25</u>	\$ <u>25</u>	<u>0.0%</u>	\$ <u>9,554</u>	<u>.3%</u>
2015	July 1, 2014	\$ <u>—</u>	\$ <u>92</u>	\$ <u>92</u>	<u>0.0%</u>	\$ <u>9,555</u>	<u>1.0%</u>

See Note 16 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	<u>June 30</u> <u>2015</u>
Hospital's proportion of the net pension liability	0.138837%
Hospital's proportionate share of the net pension liability	\$ 5,506
Hospital's total payroll	\$12,176
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	45.2%
Plan fiduciary net position as a percentage of the total pension liability	88.0%

See accompanying notes to required supplementary information - pension liability.

Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 1,063	\$ 841	\$ 728	\$ 647
Contributions in relation to the statutorily required contribution	<u>1,063</u>	<u>841</u>	<u>728</u>	<u>647</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Hospital's total payroll	\$ 12,176	\$ 9,554	\$ 8,625	\$ 8,068
Contributions as a percentage of covered-employee payroll	8.7%	8.8%	8.4%	8.0%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 515	\$ 468	\$ 520	\$ 466	\$ 410	\$ 403
<u>515</u>	<u>468</u>	<u>520</u>	<u>466</u>	<u>410</u>	<u>403</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
\$ 7,414	\$ 7,316	\$ 8,293	\$ 7,747	\$ 7,220	\$ 7,081
6.9%	6.4%	6.3%	6.0%	5.7%	5.7%

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2015**

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



**INDEPENDENT AUDITOR'S REPORT ON THE
OTHER SUPPLEMENTARY INFORMATION**

The Board of Trustees
Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa

We have audited the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center as of and for the years ended June 30, 2015 and 2014, and our report thereon dated October 30, 2015, which appears on pages 4 and 5, contains an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. We previously audited the years ended June 30, 2013 and 2012, and expressed unmodified opinions on those financial statements.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 30, 2015

OTHER SUPPLEMENTARY INFORMATION

**Jefferson County Hospital
d/b/a Jefferson County Health Center
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
0 – 30 days (includes patients in Hospital at end of year)	\$5,415,668	\$4,343,296	59.27%	62.83%
31 – 60 days	1,567,853	1,226,795	17.16	17.74
61 – 90 days	636,167	449,047	6.96	6.50
Over 90 days	<u>1,518,347</u>	<u>894,113</u>	<u>16.61</u>	<u>12.93</u>
	<u>9,138,035</u>	<u>6,913,251</u>	<u>100.00%</u>	<u>100.00%</u>
Physician Clinics	<u>516,629</u>	<u>277,145</u>		
Total receivables	<u>9,654,664</u>	<u>7,190,396</u>		
Allowances				
Contractual				
Medicare	1,356,200	1,257,000		
Medicaid and Commercial insurance	1,185,600	710,000		
Uncollectibles	330,000	160,000		
Physician Clinic	<u>206,604</u>	<u>92,019</u>		
Total allowances	<u>3,078,404</u>	<u>2,219,019</u>		
Totals	<u>\$6,576,260</u>	<u>\$4,971,377</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLES

	<u>Amounts</u>		<u>Percent of net patient service revenue</u>	
	<u>Year ended June 30</u>		<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
BALANCE , beginning	\$ 160,000	\$ 101,000		
ADD				
Provision for bad debts	657,515	1,198,862	1.73%	4.21%
DEDUCT				
Accounts written off	<u>(487,515)</u>	<u>(1,139,862)</u>	1.28	4.00
BALANCE , ending	<u>\$ 330,000</u>	<u>\$ 160,000</u>		

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INVENTORIES**

	June 30		Increase
	<u>2015</u>	<u>2014</u>	<u>(decrease)</u>
Storeroom	\$ 67,863	\$ 94,482	\$ (26,619)
Pharmacy	301,051	239,710	61,341
Dietary	21,660	15,045	6,615
Uniforms and linen	<u>—</u>	<u>36,903</u>	<u>(36,903)</u>
Totals	<u>\$ 390,574</u>	<u>\$ 386,140</u>	<u>\$ 4,434</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
INSURANCE COVERAGE
June 30, 2015**

<u>Insurer</u>	<u>Coverage Type</u>	<u>Effective Dates</u>	<u>Coverage Amount</u>
Chubb	Directors and Officers	July 2014 to July 2015	\$2,000,000
Travelers	Employee Honesty Bond	May 2015 to May 2016	\$500,000/employee
Midwest Medical Insurance	Physician Liability Coverage	January 2015 to January 2016	
	Each claim		\$3,000,000
	Total facility		\$5,000,000
	Each claim – Surgeon	January 2015 to January 2016	\$2,000,000
	Aggregate		\$4,000,000
Pro Assurance	Physician Liability Coverage	August 2014 to August 2015	
	Each claim		\$2,000,000
	Aggregate		\$4,000,000
Midwest Medical Insurance	Hospital General Liability/ Medical Professional Liability	May 2015 to May 2016	
	Each claim		\$1,000,000
	Total facility		\$3,000,000
Midwest Medical Insurance	Umbrella Excess Liability	May 2015 to May 2016	
	Each claim		\$7,000,000
	Total facility		\$7,000,000
Travelers	Business Auto	May 2015 to May 2016	\$1,000,000
Travelers	Building and Contents	May 2015 to May 2016	\$48,530,000
	Business Interruption		\$46,600,000

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
PATIENT SERVICE REVENUE**

	Total		
	Year ended June 30		Increase
	2015	2014	(decrease)
DAILY PATIENT SERVICES			
Medical and surgical	\$ 3,791,684	\$ 3,120,754	\$ 670,930
Critical care unit	51,375	43,470	7,905
Swing bed	<u>1,776,605</u>	<u>1,364,037</u>	<u>412,568</u>
	<u>5,619,664</u>	<u>4,528,261</u>	<u>1,091,403</u>
OTHER NURSING SERVICES			
Operating and recovery rooms	9,839,300	9,778,847	60,453
Central supply	260,423	209,517	50,906
Emergency services	<u>5,350,835</u>	<u>4,668,149</u>	<u>682,686</u>
	<u>15,450,558</u>	<u>14,656,513</u>	<u>794,045</u>
OTHER PROFESSIONAL SERVICES			
Laboratory and blood bank	9,053,613	7,681,964	1,371,649
Electrocardiology	524,056	480,305	43,751
Radiology	3,553,315	3,316,829	236,486
CT scans	3,769,750	3,154,981	614,769
Magnetic resonance imaging	1,837,039	1,833,685	3,354
Pharmacy	10,567,169	5,078,657	5,488,512
Anesthesiology	1,377,958	1,077,488	300,470
Respiratory therapy	1,766,733	1,100,378	666,355
Physical therapy	1,644,657	1,702,637	(57,980)
Speech therapy	153,006	125,393	27,613
Occupational therapy	346,376	354,065	(7,689)
Oncology	1,339,296	339,646	999,650
Medical arts	5,268,918	260,023	5,008,895
Physician clinic	1,837,120	2,017,195	(180,075)
Sleep lab	825,412	736,307	89,105
Urology	196,386	242,490	(46,104)
Rheumatology	<u>38,688</u>	<u>36,113</u>	<u>2,575</u>
	<u>44,099,492</u>	<u>29,538,156</u>	<u>14,561,336</u>
	65,169,714	48,722,930	16,446,784
Charity care charges foregone, based on established rates	<u>(221,021)</u>	<u>(296,970)</u>	<u>75,949</u>
Total gross patient service revenue	64,948,693	48,425,960	16,522,733
Provisions for contractual and other adjustments	<u>(26,825,431)</u>	<u>(19,916,791)</u>	<u>(6,908,640)</u>
Net patient service revenue	<u>\$38,123,262</u>	<u>\$28,509,169</u>	<u>\$ 9,614,093</u>

Inpatient			Outpatient		
Year ended June 30		Increase	Year ended June 30		Increase
2015	2014	(decrease)	2015	2014	(decrease)
\$ 3,791,684	\$ 3,120,754	\$ 670,930	\$ —	\$ —	\$ —
51,375	43,470	7,905	—	—	—
1,776,605	1,364,037	412,568	—	—	—
<u>5,619,664</u>	<u>4,528,261</u>	<u>1,091,403</u>	<u>—</u>	<u>—</u>	<u>—</u>
958,415	1,419,245	(460,830)	8,880,885	8,359,602	521,283
251,166	200,664	50,502	9,257	8,853	404
49,599	74,447	(24,848)	<u>5,301,236</u>	<u>4,593,702</u>	<u>707,534</u>
<u>1,259,180</u>	<u>1,694,356</u>	<u>(435,176)</u>	<u>14,191,378</u>	<u>12,962,157</u>	<u>1,229,221</u>
733,706	748,891	(15,185)	8,319,907	6,933,073	1,386,834
16,045	20,650	(4,605)	508,011	459,655	48,356
205,565	180,094	25,471	3,347,750	3,136,735	211,015
228,096	217,158	10,938	3,541,654	2,937,823	603,831
49,413	60,787	(11,374)	1,787,626	1,772,898	14,728
1,377,397	1,054,394	323,003	9,189,772	4,024,263	5,165,509
112,093	155,317	(43,224)	1,265,865	922,171	343,694
1,259,538	692,999	566,539	507,195	407,379	99,816
446,358	497,033	(50,675)	1,198,299	1,205,604	(7,305)
55,763	39,718	16,045	97,243	85,675	11,568
237,591	210,170	27,421	108,785	143,895	(35,110)
—	—	—	1,339,296	339,646	999,650
—	—	—	5,268,918	260,023	5,008,895
—	—	—	1,837,120	2,017,195	(180,075)
—	—	—	825,412	736,307	89,105
—	—	—	196,386	242,490	(46,104)
—	—	—	<u>38,688</u>	<u>36,113</u>	<u>2,575</u>
<u>4,721,565</u>	<u>3,877,211</u>	<u>844,354</u>	<u>39,377,927</u>	<u>25,660,945</u>	<u>13,716,982</u>
<u>\$11,600,409</u>	<u>\$10,099,828</u>	<u>\$1,500,581</u>	<u>\$53,569,305</u>	<u>\$38,623,102</u>	<u>\$14,946,203</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
PROVISIONS FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

	Year ended June 30		Increase
	2015	2014	(decrease)
Contractual adjustments			
Medicare	\$14,552,056	\$11,031,522	\$3,520,534
Medicaid	5,101,985	2,765,691	2,336,294
Wellmark	4,553,382	3,371,500	1,181,882
Provision for bad debts	657,515	1,198,862	(541,347)
Discounts and other adjustments	<u>1,960,493</u>	<u>1,549,216</u>	<u>411,277</u>
Totals	<u>\$26,825,431</u>	<u>\$19,916,791</u>	<u>\$6,908,640</u>

OTHER REVENUE

	Year ended June 30		Increase
	2015	2014	(decrease)
Electronic health records meaningful use incentive revenue	\$ 683,441	\$ 363,717	\$ 319,724
340(b) program revenue	287,289	686,584	(399,295)
Employee and guest meals	125,221	112,434	12,787
Lifeline	73,100	65,853	7,247
Specialty clinics rent	40,530	51,660	(11,130)
Rental income, net	51,806	44,090	7,716
Miscellaneous, net	<u>449,362</u>	<u>1,407,432</u>	<u>(958,070)</u>
Totals	<u>\$1,710,749</u>	<u>\$2,731,770</u>	<u>\$(1,021,021)</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
NURSING SERVICE EXPENSES**

	Year ended June 30		Increase
	2015	2014	(decrease)
ADMINISTRATIVE			
Salaries	\$ 237,176	\$ 233,394	\$ 3,782
Supplies and expense	<u>12,795</u>	<u>7,945</u>	<u>4,850</u>
	<u>249,971</u>	<u>241,339</u>	<u>8,632</u>
MEDICAL AND SURGICAL			
Salaries	1,748,507	1,526,307	222,200
Supplies and expense	<u>260,232</u>	<u>191,595</u>	<u>68,637</u>
	<u>2,008,739</u>	<u>1,717,902</u>	<u>290,837</u>
CRITICAL CARE UNIT			
Salaries	<u>12,725</u>	<u>11,193</u>	<u>1,532</u>
OPERATING AND RECOVERY ROOMS			
Salaries	728,435	647,215	81,220
Supplies and expense	<u>1,147,503</u>	<u>1,241,842</u>	<u>(94,339)</u>
	<u>1,875,938</u>	<u>1,889,057</u>	<u>(13,119)</u>
CENTRAL SUPPLY			
Salaries	44,492	39,768	4,724
Supplies and expense	<u>92,718</u>	<u>90,903</u>	<u>1,815</u>
	<u>137,210</u>	<u>130,671</u>	<u>6,539</u>
EMERGENCY SERVICES			
Salaries	852,048	832,355	19,693
Professional fees	1,570,923	1,288,674	282,249
Supplies and expense	<u>169,450</u>	<u>114,296</u>	<u>55,154</u>
	<u>2,592,421</u>	<u>2,235,325</u>	<u>357,096</u>
Totals	<u>\$6,877,004</u>	<u>\$6,225,487</u>	<u>\$ 651,517</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OTHER PROFESSIONAL SERVICE EXPENSES**

	Year ended June 30		Increase
	2015	2014	(decrease)
LABORATORY AND BLOOD BANK			
Salaries	\$ 567,825	\$ 534,858	\$ 32,967
Professional fees	322,245	286,457	35,788
Supplies and expense	730,973	668,605	62,368
	<u>1,621,043</u>	<u>1,489,920</u>	<u>131,123</u>
ELECTROCARDIOLOGY			
Salaries	32,049	34,279	(2,230)
Supplies and expense	25,258	14,226	11,032
	<u>57,307</u>	<u>48,505</u>	<u>8,802</u>
RADIOLOGY			
Salaries	585,555	544,043	41,512
Professional fees	296,810	247,202	49,608
Supplies and expense	455,934	428,758	27,176
	<u>1,338,299</u>	<u>1,220,003</u>	<u>118,296</u>
CT SCANS			
Supplies and expense	<u>215,394</u>	<u>242,575</u>	<u>(27,181)</u>
MAGNETIC RESONANCE IMAGING			
Professional fees	402,430	398,450	3,980
Supplies and expenses	9,535	7,204	2,331
	<u>411,965</u>	<u>405,654</u>	<u>6,311</u>
PHARMACY			
Salaries	334,766	262,226	72,540
Professional fees	12,306	—	12,306
Drugs	3,367,167	1,615,288	1,751,879
Supplies and expense	96,554	189,407	(92,853)
	<u>3,810,793</u>	<u>2,066,921</u>	<u>1,743,872</u>
ANESTHESIOLOGY			
Professional fees	571,000	458,920	112,080
Supplies and expense	26,829	19,874	6,955
	<u>597,829</u>	<u>478,794</u>	<u>119,035</u>
RESPIRATORY THERAPY			
Salaries	143,189	110,314	32,875
Oxygen	26,536	21,717	4,819
Supplies and expense	16,508	42,882	(26,374)
	<u>186,233</u>	<u>174,913</u>	<u>11,320</u>
PHYSICAL THERAPY			
Salaries	20,894	22,428	(1,534)
Professional fees	780,098	838,904	(58,806)
Supplies and expense	20,053	18,268	1,785
	<u>821,045</u>	<u>879,600</u>	<u>(58,555)</u>
SPEECH THERAPY			
Professional fees	<u>35,311</u>	<u>27,362</u>	<u>7,949</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
OTHER PROFESSIONAL SERVICE EXPENSES (continued)**

	Year ended June 30		Increase
	2015	2014	(decrease)
OCCUPATIONAL THERAPY			
Professional fees	\$ 165,748	\$ 165,465	\$ 283
Supplies and expense	<u>1,918</u>	<u>2,976</u>	<u>(1,058)</u>
	<u>167,666</u>	<u>168,441</u>	<u>(775)</u>
PHYSICIANS CLINIC			
Salaries	1,075,913	1,138,646	(62,733)
Contract labor	79,203	—	79,203
Supplies and expense	<u>74,194</u>	<u>38,686</u>	<u>35,508</u>
	<u>1,229,310</u>	<u>1,177,332</u>	<u>51,978</u>
FAIRFIELD CLINIC			
Salaries	37,933	190,650	(152,717)
Supplies and expense	<u>73,679</u>	<u>228,303</u>	<u>(154,624)</u>
	<u>111,612</u>	<u>418,953</u>	<u>(307,341)</u>
MEDICAL RECORDS			
Salaries	296,218	311,245	(15,027)
Supplies and expense	<u>176,430</u>	<u>158,805</u>	<u>17,625</u>
	<u>472,648</u>	<u>470,050</u>	<u>2,598</u>
QUALITY ASSURANCE			
Salaries	228,039	222,615	5,424
Supplies and expense	<u>26,467</u>	<u>18,303</u>	<u>8,164</u>
	<u>254,506</u>	<u>240,918</u>	<u>13,588</u>
MEDICAL ARTS			
Salaries	2,499,354	604,826	1,894,528
Supplies and expense	<u>546,866</u>	<u>399,472</u>	<u>147,394</u>
	<u>3,046,220</u>	<u>1,004,298</u>	<u>2,041,922</u>
SLEEP LAB			
Salaries	122,393	108,615	13,778
Supplies and expense	<u>18,787</u>	<u>15,029</u>	<u>3,758</u>
	<u>141,180</u>	<u>123,644</u>	<u>17,536</u>
RHEUMATOLOGY			
Salaries	9,440	5,509	3,931
Supplies and expense	<u>38,949</u>	<u>28,784</u>	<u>10,165</u>
	<u>48,389</u>	<u>34,293</u>	<u>14,096</u>
ONCOLOGY			
Salaries	303,373	91,971	211,402
Supplies and expense	<u>675,687</u>	<u>276,786</u>	<u>398,901</u>
	<u>979,060</u>	<u>368,757</u>	<u>610,303</u>
UROLOGY			
Supplies and expense	<u>238,563</u>	<u>245,420</u>	<u>(6,857)</u>
DIALYSIS			
Salaries	5,795	4,867	928
Supplies and expense	<u>3,235</u>	<u>994</u>	<u>2,241</u>
	<u>9,030</u>	<u>5,861</u>	<u>3,169</u>
Totals	<u>\$15,793,403</u>	<u>\$11,292,214</u>	<u>\$4,501,189</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
GENERAL SERVICE EXPENSES**

	Year ended June 30		Increase
	2015	2014	(decrease)
DIETARY			
Salaries	\$ 356,513	\$ 332,743	\$ 23,770
Food	165,253	150,417	14,836
Supplies and expense	<u>109,585</u>	<u>95,413</u>	<u>14,172</u>
	<u>631,351</u>	<u>578,573</u>	<u>52,778</u>
PLANT OPERATION AND MAINTENANCE			
Salaries	361,319	351,437	9,882
Utilities	463,004	510,063	(47,059)
Supplies and expense	<u>337,764</u>	<u>270,467</u>	<u>67,297</u>
	<u>1,162,087</u>	<u>1,131,967</u>	<u>30,120</u>
BIO MEDICAL			
Supplies and expense	<u>41,131</u>	<u>38,008</u>	<u>3,123</u>
HOUSEKEEPING			
Salaries	245,891	239,645	6,246
Supplies and expense	<u>123,624</u>	<u>78,530</u>	<u>45,094</u>
	<u>369,515</u>	<u>318,175</u>	<u>51,340</u>
LAUNDRY AND LINEN			
Salaries	437	18,344	(17,907)
Supplies and expense	<u>105,357</u>	<u>55,713</u>	<u>49,644</u>
	<u>105,794</u>	<u>74,057</u>	<u>31,737</u>
Totals	<u>\$2,309,878</u>	<u>\$2,140,780</u>	<u>\$ 169,098</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES**

	Year ended June 30		Increase
	2015	2014	(decrease)
FISCAL AND ADMINISTRATIVE SERVICE			
Salaries			
Administrative	\$ 226,469	\$ 177,067	\$ 49,402
Fiscal and accounting	618,933	564,388	54,545
Purchasing and stores	117,217	96,741	20,476
Public relations	60,264	63,068	(2,804)
Data processing	176,693	112,216	64,477
Human resources	125,858	120,799	5,059
Data processing expense	383,491	346,616	36,875
Human resources supplies and expenses	39,646	26,863	12,783
Professional fees	27,167	43,118	(15,951)
Office supplies and expenses	570,908	477,017	93,891
Telephone	71,986	69,305	2,681
Collection fees	244,290	234,601	9,689
Purchasing and stores expense	19,665	19,504	161
Public relations expense	10,861	10,520	341
UNASSIGNED EXPENSES			
Physician recruiting	62,006	23,856	38,150
Insurance	238,222	171,741	66,481
Employee benefits			
FICA	835,908	654,767	181,141
IPERS	360,604	840,696	(480,092)
Group health insurance	1,554,599	1,058,903	495,696
Group disability insurance	43,301	33,649	9,652
Workers' compensation	189,434	143,888	45,546
Unemployment compensation	2,966	11,275	(8,309)
Other employee benefits	<u>72,092</u>	<u>44,833</u>	<u>27,259</u>
Totals	<u>\$6,052,580</u>	<u>\$5,345,431</u>	<u>\$ 707,149</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
COMPARATIVE REVENUES AND EXPENSES**

	Year ended June 30			
	2015	2014	2013	2012
NET PATIENT SERVICE REVENUE	\$38,123,262	\$28,509,169	\$24,722,012	\$22,232,704
OTHER REVENUE	<u>1,710,749</u>	<u>2,731,770</u>	<u>3,849,986</u>	<u>3,458,119</u>
Total revenue	<u>39,834,011</u>	<u>31,240,939</u>	<u>28,571,998</u>	<u>25,690,823</u>
EXPENSES				
Salaries	12,175,713	9,553,772	8,624,661	8,068,079
Supplies, professional fees and other expenses	18,857,152	15,450,140	14,030,656	11,952,346
Provision for depreciation	<u>3,084,729</u>	<u>2,766,503</u>	<u>2,526,960</u>	<u>2,482,597</u>
Total expenses	<u>34,117,594</u>	<u>27,770,415</u>	<u>25,182,277</u>	<u>22,503,022</u>
Operating income	<u>5,716,417</u>	<u>3,470,524</u>	<u>3,389,721</u>	<u>3,187,801</u>
NONOPERATING GAINS (LOSSES)				
County taxes	856,845	853,414	1,097,726	1,064,318
Investment income and equity in net income of joint venture investments	332,734	298,176	462,362	467,945
Interest and amortization expense	(2,105,136)	(1,866,383)	(1,898,513)	(1,938,793)
Gain (loss) on sale of property and equipment	<u>2,056</u>	<u>(78,178)</u>	<u>1,854</u>	<u>(44,604)</u>
Total nonoperating (losses)	<u>(913,501)</u>	<u>(792,971)</u>	<u>(336,571)</u>	<u>(451,134)</u>
Excess of revenues over expenses before contributions	4,802,916	2,677,553	3,053,150	2,736,667
CONTRIBUTIONS	<u>61,262</u>	<u>30,228</u>	<u>29,929</u>	<u>49,520</u>
Change in net position	<u>\$ 4,864,178</u>	<u>\$ 2,707,781</u>	<u>\$ 3,083,079</u>	<u>\$ 2,786,187</u>

**Jefferson County Hospital
d/b/a Jefferson County Health Center
COMPARATIVE STATISTICS**

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
PATIENT DAYS		
Adult and pediatric	2,604	2,281
Swing bed	<u>2,947</u>	<u>2,291</u>
Total patient days	<u>5,551</u>	<u>4,572</u>
ADMISSIONS		
Adult and pediatric	675	642
Swing bed	<u>288</u>	<u>234</u>
Total admissions	<u>963</u>	<u>876</u>
DISCHARGES		
Adult and pediatric	676	635
Swing bed	<u>293</u>	<u>231</u>
Total discharges	<u>969</u>	<u>866</u>
AVERAGE LENGTH OF STAY		
Adult and pediatric	3.85	3.59
Swing bed	10.06	9.92
BEDS		
Adult and pediatric	25	25
OCCUPANCY PERCENT		
Adult and pediatric	28.54%	25.00%
Swing bed	32.30%	25.11%
NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$104,238	\$78,107
NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	63	64



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Jefferson County Hospital
d/b/a Jefferson County Health Center
Fairfield, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson County Hospital d/b/a Jefferson County Health Center, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Jefferson County Hospital's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 30, 2015

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2015**

Part I—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Jefferson County Hospital
d/b/a Jefferson County Health Center
SCHEDULE OF FINDINGS
Year ended June 30, 2015**

Part II—Findings Related to Required Statutory Reporting

15-II-A CERTIFIED BUDGET

Based on a comparison of actual operating expenses with budget basis expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2015.

15-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

15-II-C TRAVEL EXPENSES

No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

15-II-D BUSINESS TRANSACTIONS

No business transactions were found between the Hospital and Hospital officials and/or employees.

15-II-E BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

15-II-F DEPOSITS AND INVESTMENTS

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.